



OFFICE OF RACIAL EQUITY AND SOCIAL JUSTICE

Marc Elrich
County Executive

Tiffany Ward
Director & Chief Equity Officer

MEMORANDUM

July 25, 2023

To: Jennifer Bryant, Director
Office of Management and Budget

From: Tiffany Ward, Director
Office of Racial Equity and Social Justice

A handwritten signature in cursive script that reads "Tiffany Ward".

Re: Racial Equity Impact Assessment (REIA) for Special Appropriation (SA) #24-1 FY24 Operating Budget of Montgomery County Government Community Grants – NDA Non-Profit Technical Assistance and Management Support Grants, and Underserved Communities Projects Grants \$1,500,000 (Source of Funds: General Fund Reserves)

- I. **FINDING:** The Office of Racial Equity and Social Justice (ORESJ) finds that *Special Appropriation #24-1 FY24 Operating Budget of Montgomery County Government Community Grants – NDA Non-Profit Technical Assistance and Management Support Grants (NTAMS), and Underserved Communities Projects Grants (UCP)* is likely to advance equitable outcomes for communities identified as Black, Indigenous, People of Color (BIPOC) and low-income communities as the funds specifically aim to support nonprofit organizations serving these communities. Smaller, less resourced organizations (who are more likely to be minority led and/or based in and working with underserved communities) have historically lacked access to competitive grant program opportunities due to stringent application requirements causing undue administrative burden on applicants. These two funding opportunities – specifically the UCP – make funds available to nonprofit organizations from underserved communities who have unique insights into their local challenges and can develop the best programmatic solutions to address them. It must be stated that the small scale of the funding being provided by these grants will likely mean that any positive impact on BIPOC and low-income communities will be minimal.
- II. **BACKGROUND:** The purpose of *Special Appropriation #24-1 FY24 Operating Budget Montgomery County Government Community Grants – NDA NTAMS, and UCP* is to fund these two programs that were technically appropriated in FY23, however agreements required for implementing these grants were unable to be executed prior to the end of the fiscal year.

Montgomery County nonprofit partners submitted over 280 applications totaling nearly \$18 million in funding request for these programs. Both programs included a focus on Racial Equity and Social Justice by prioritizing funding for organizations based in and providing initiatives for underserved communities. Unfortunately, due to an unfilled Office of Grants Management (OGM) position (Outgoing Grants Program Manager II) throughout the majority of FY23 coupled with the exceptionally high volume of applications for both programs, OGM was unable to move to a final awarding process until June—late in the fiscal year.

Additionally, during the Office of Management and Budget's (OMB's) verification of FY23 allocations of \$750,000 for NTAMS and \$750,000 for UCP, it was determined that the remaining funds in the NDA were insufficient to cover the cost of these two programs—with OGM not notifying applicants of their award status due to OMB's inability to certify FY23 funding. A subsequent investigation of the certification failure revealed an unintentional accounting error that under-accrued FY22 funds in this account, reducing carryforward budget authority into FY23. This accounting error was discovered prior to finalization of NTAMS and UCP grant agreements, however the lack of negotiated grant agreements combined with the loss of the requisite amount of carryforward budget which reduced the financial resources of the NDA precluded the awarding of funds in FY23 under these programs. Because of the under-accrual in FY22 and the lack of spending in FY23 for these grants, General Fund Undesignated Reserves includes \$1.5 million in savings from unspent appropriations.

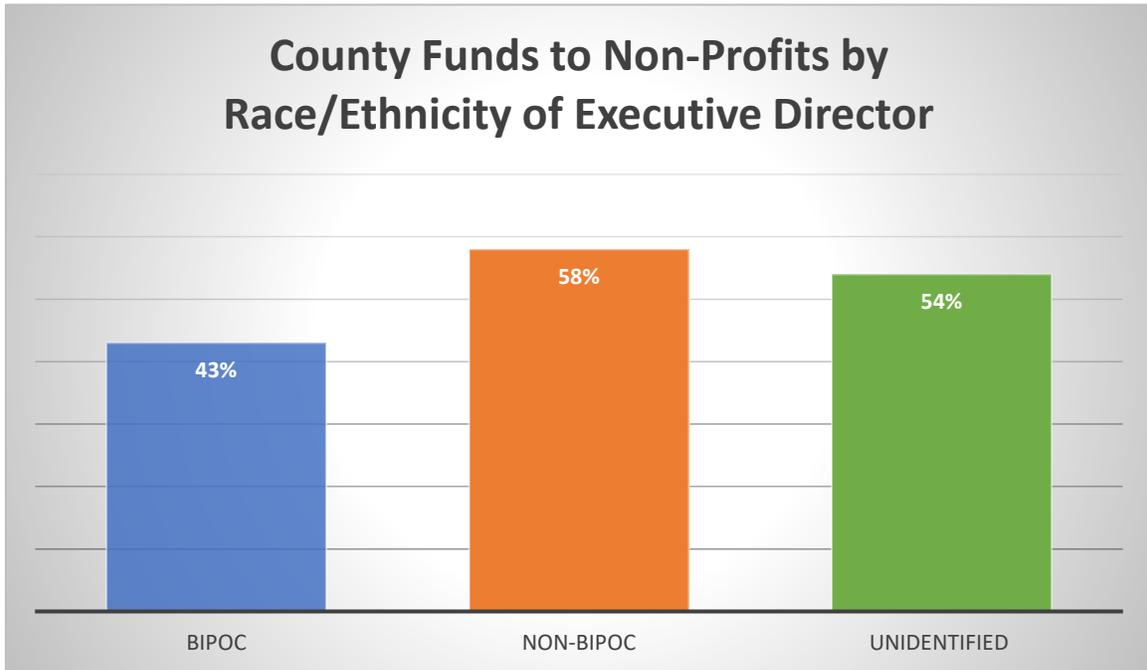
III. ANALYSIS: As noted in supplemental documentation accompanying this funding request, ORESJ has previously highlighted disparities in philanthropic support for BIPOC-led organizations and communities throughout the United States (US) in the [Racial Equity Impact Assessment \(REIA\) for SA #23-13 FY23 Capital Budget Cost Sharing MCG CIP No. 720601](#). As noted in the REIA, historical and current policies and practices have resulted in deep economic inequality and racially inequitable distribution of wealth in the US, culminating in the racial wealth gap¹ which has extended to other systems such as the field of philanthropy and its funding practices. As a result of this “Philanthropic Redlining”² and other documented biases, charitable giving has become an “inherently insufficient means of seeking racially equitable outcomes”³. This is in part as a result of the highly complex application processes that funding opportunities require in addition to the end awards being disproportionately burdensome to the amount of funding received—resulting in disproportionate impacts on organizations with more limited capacity and access to unrestricted funds to support core operations who again, due to historical impacts, tend to be BIPOC-led. OGM's own internal data support these national trends with analysis

¹ Darity Jr., W., Hamilton, D., et. al. *What we get wrong about closing the racial wealth gap*. 2018. Available at: <https://socialequity.duke.edu/wp-content/uploads/2019/10/whatwe-get-wrong.pdf>

² Stone, H. *A Hard Look at Philanthropic Redlining*. 2019. Available at: <https://justiceunbound.org/philanthropic-redlining/> and Crowden, M. *Redlining Reimagined: Inequities In America's Nonprofit Sector*. 2021. Available at: <https://marcusharrisfoundation.org/blog/f/redlining-reimagined-inequities-in-america%E2%80%99s-nonprofit-sector>

³ Stone, H. *A Hard Look at Philanthropic Redlining*. 2019. Available at: <https://justiceunbound.org/philanthropic-redlining/>

revealing that 43% of organizations with a BIPOC Executive Director received County funds, compared to 58% of organizations with an Executive Director who did not identify as BIPOC and 54% of organizations whose racial identification of their Executive Director was not noted.



OGM has taken steps in the design of these grant programs to mitigate impacts caused by historic inequities in funding that have led to disproportionate impacts on BIPOC and low-income communities in need of the culturally responsive services that smaller, BIPOC-led nonprofits provide. Specifically, OGM took steps to mitigate burdens incurred by these smaller non-profits by:

1. streamlining the size and content of applications to require the minimum information needed to make an effective awarding decision, and
2. providing an Indirect Cost option that builds in unrestricted funding to every award given by the County under the program.

The unrestricted funding built into these awards, on top of NTAMS resources, will help organizations stabilize their internal infrastructure while also providing resources that can be invested in additional supports such as contract grant writers.

While these efforts are strong first steps, OGM acknowledges that further work will be needed in order to put organizations based in BIPOC and low-income communities and traditional nonprofits on an equitable level when competing for County funding. This point

is emphasized by the fact that impact has already been felt since proposals have already been developed and submitted and end stage implementation issues have prevented final awards from being signed and funds disbursed.

In order for grantees to have the greatest impact on the communities they serve, the County must maintain its stated obligations to implement these grant programs. Considering the sheer volume of applications and funding requests submitted for these grant programs (rough estimates amount to over \$9 Million for **each** program) significantly eclipse available funding (currently set at \$750,000 for **each** program), some organizations who invested invaluable time and effort into developing a worthy proposal will not receive funding despite their merits.

cc: Ken Hartman, Director, Office of Strategic Partnership, Office of the County Executive
Rafael Murphy, Director, Office of Grants Management